IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

PENNPAC INTERNATIONAL, INC.,	:	
plaintiff/counterclaim defendant	:	CIVIL ACTION
	:	
v.	:	
	:	
ROTONICS MANUFACTURING, INC.,	:	NO. 99-CV-2890
defendant/counterclaim plaintiff,	:	
third-party plaintiff,	:	
	:	
v.	:	
	:	
RUSH SMITH,	:	
third-party defendant/	:	
third-party plaintiff.[1]	:	

MEMORANDUM AND ORDER

YOHN, J.

Plaintiff PennPac International, Inc. ["PennPac"] brings this action against defendant Rotonics Manufacturing, Inc. ["Rotonics"] alleging violation of § 2 of the Sherman Antitrust Act, 15 U.S.C. § 2, and setting forth various state law claims, including unfair competition, defamation, commercial disparagement, and tortious interference with existing and prospective relationships. Rotonics asserts counterclaims against PennPac and claims against third-party defendant Rush Smith [together, for purposes of this opinion, "defendants"], for patent infringement pursuant to 35 U.S.C. § 271(a) and alleging various state laws claims, including unfair competition, breach of contract (against Smith), common law fraud, tortious interference

[1]By Order of October 4, 2000 (Doc. No. 52), the claims against third-party defendants John F. A. Earley, P.C. and Harding, Earley, Follmer & Frailey were terminated.

with contract, and commercial disparagement. By order of May ___, 2001, the court entered judgment in favor of Rotonics on each count of plaintiff's complaint.

Pending before the court is PennPac and Rush Smith's motion for summary judgment on all counts of the counterclaims/third-party complaint (Doc. No. 48). PennPac and Smith's motion for summary judgment will be granted in part and denied in part. Rotonics does not contest the entry of judgment in favor of PennPac and/or Smith on Counts III (breach of contract), V (tortious interference), and VI (commercial disparagement). Accordingly, judgment will be entered in favor of PennPac and Smith on Counts V and VI and for Smith on Count III. Because there exist genuine issues of material fact regarding Rotonics' claims of infringement, unfair competition, and common law fraud, defendants' motion for summary judgment as to Counts I, II, and IV of Rotonics' counterclaims/third-party complaint will be denied.

I. Discussion[2]

A. Patent Infringement

Defendants argue that judgment should be entered in their favor on Rotonics' claim of infringement for two reasons: (1) because the '947 Patent is invalid due to prior art and (2) because there is no evidence that PennPac's product infringed the patent. In a memorandum and order dated May ___, 2001, applying the doctrine of assignor estoppel, I concluded that PennPac and Smith are barred from now challenging the validity of the '947 Patent. As such, judgment will be entered in favor of Rotonics concerning defendants' affirmative defense of invalidity. Nonetheless, because the doctrine of assignor estoppel does not prevent the assignor from

[2]For a summary of the undisputed facts and standard of review that provide the necessary backdrop for the instant motion, see the court's memorandum and order dated May _____, 2001.

introducing evidence of prior art to narrow the scope of the assigned patent's claims in an effort to show that the accused device falls outside the scope of the assigned patent, the court must consider defendants' argument that PennPac's container did not infringe the '947 Patent. *See Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 350-351 (1924); *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1226 (Fed. Cir. 1988).

Defendants claim that Rotonics has produced no evidence of infringement. Specifically, defendants assert that because noone at Rotonics either saw or studied the allegedly infringing PennPac container, that somehow defendants could not be held liable for infringement. Defendants, however, point to no case law which suggests that personal examination of the infringing product is an element to a claim of infringement. Nor has the court found any. As such, defendants' argument must fail.

Defendants next assert that in any event, Rotonics has not identified the infringing product. Rotonics counters that its evidence of infringement is based on at least two points: (1) that PennPac sold containers to Harvy By-Products that were manufactured by Poly Processing and based upon models that bore Rotonics' patent markings and (2) that PennPac sold containers to Stella Foods (and others) using as an illustration a line drawing that depicts what Thomas Wise, the inventor of the '947 Patent, viewed as a "knock off" of that patent. Moreover, Rotonics points out that it has presented photographs of PennPac's allegedly infringing product that show a container virtually identical in appearance to Rotonics' patented BTF Bulkitank. Finally, Rotonics asserts that to the extent that it is unable to prove the precise configuration of the products sold to Stella Foods, Doskocil and Beef Products, it is primarily due to PennPac's destruction of documents, specifically, detailed records of sales transactions, drawings,

specifications, and samples detailing the containers sold.

I conclude that Rotonics has demonstrated that genuine issues of material fact exist as to the identity of the infringing product and regarding whether PennPac indeed destroyed documents relevant to this litigation after it was put on notice that the instant legal dispute may arise. Therefore, PennPac and Smith's motion for summary judgment as to Count I will be denied.

B Unfair Competition

PennPac and Smith argue that they are entitled to judgment on Rotonics' unfair competition claim for two reasons: (1) because Rotonics has failed to introduce facts that demonstrate that PennPac sold a product that infringed on the bulk tank produced by Rotonics; and (2) because Rotonics has not shown evidence of injury.

An unfair competition claim under Pennsylvania common law requires proof of the same elements as an unfair competition claim under § 43(a) of the Lanham Act, except that effect on interstate commerce need not be shown. *See AT & T v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1433 (3d Cir. 1994) ("[T]he Lanham Act is derived generally and purposefully from the common law tort of unfair competition.... Thus, the conduct prohibited by section 43(a) of the Lanham Act is ... analogous to common law torts."), *cert. denied*, 514 U.S. 1103 (1995).[3] "'The

[3]Section 43(a) of the Lanham Act prohibits unfair competition through "[f]alse designations of origin" and reads in relevant part as follows:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which-
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive

general rule is that anything done by a rival in the same business by imitation or otherwise, designed or calculated to mislead the public in the belief that in buying the product offered by him for sale, they were buying the product of another's manufacture, would be in fraud on that other's rights. . . ." *Consolidated Home Specialties Co. v. Plotkin*, 55 A.2d 404, 407 (Pa. 1947) (citation omitted). Thus, "the essence of the wrong is the passing off of the goods of one manufacturer or vendor as those of another," *Dresser Indus., Inc. v. Heraeus Engelhard Vacuum, Inc.*, 395 F.2d 457, 461 (3d Cir. 1968), and the party asserting the unfair competition claim must demonstrate that its competitor has done something "'which will unnecessarily create or increase confusion between his goods or business and the goods or business of the rival.'" *Pennsylvania State Univ. v. University Orthopedics, Ltd.*, 706 A.2d 863, 870-71 (Pa. Super. Ct. 1998) (citation omitted).

A showing of patent infringement, however, is not necessary to succeed on an unfair competition claim. Rather, plaintiff must demonstrate that the "particular use in question is reasonably likely to produce confusion in the public mind." *Morgan's Home Equip. Corp. v. Martucci*, 136 A.2d 838, 848 (Pa. 1957). Thus, the fact that defendants' product arguably does not infringe the '947 Patent is not dispositive of this inquiry. Instead, the question is whether PennPac and Smith tried to pass their bulk tanks off as those covered by Rotonics' patent such that there existed a reasonable likelihood of customer confusion regarding the origin of PennPac's tank.

> as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person.

15 U.S.C. § 1125(1)(a).

Defendants claim that Rotonics has failed to submit any material facts to support its claim. Rotonics, on the other hand, points to the following evidence: (1) Smith's correspondence with Poly Processing wherein he promoted himself using Plastech literature and a resume listing himself as the current President of Plastech, after he had been discharged from that company; (2) the deposition testimony of Maryjo Kosse of Stella Foods who ordered containers from Lisa Waters, a PennPac sales representative, referred to in Stella Foods' internal reports by the designation of BTF Bulkitank (the name for the container produced by Rotonics under its '947 Patent); and (3) a declaration by Mark Lindaman, Operations Manager and responsible for product design and production at Poly Processing's California unit, that stated that when he met Smith at a meeting of the Association of Rotational Molders, he "formed the impression from what Mr. Smith said at that time that he had been purchasing products from Rotonics for resale." Because a reasonable jury could determine from this evidence that Smith was attempting to pass his product as that of Rotonics, and that a reasonable likelihood of customer confusion resulted therefrom, Rotonics has demonstrated a genuine issue of material fact. *See generally Consolidated Home Specialties*, 55 A.2d at 407 ("the question as to the unfairness of competition is primarily a question of fact."). Therefore, defendants' motion for summary judgment on this ground will be denied.

Defendants further claim that they are entitled to judgment on the unfair competition claim because Rotonics has failed to demonstrate the requisite injury. Rotonics, however, submits the following evidence in supports of its claimed injury: (1) Kosse's deposition testimony that she was instructed to order "12 BTG 34 Bulktank plastic totes" ; (2) Smith's deposition testimony that PennPac sold to Beef Products, a customer of Rotonics; and (3) the

deposition testimony of William Lehr, Field Sales Manager at Rotonics from August 1996 to May 1999, that Rotonics had "lost a job" to PennPac. As such, I find that Rotonics has shown a genuine issue of material fact regarding its damages and therefore, defendants' motion for summary judgment will be denied as to Count II.

C. Common Law Fraud

To establish a claim of fraud under Pennsylvania common law, a plaintiff must prove:

> (1) a representation; (2) which is material to the transaction at hand; (3) made falsely, with knowledge of its falsity or recklessness as to whether it is true or false; (4) with the intent of misleading another into relying on it; (5) justifiable reliance on the misrepresentation; and (6) the resulting injury was proximately caused by the reliance.

Greunwald v. Advanced Computer Applications, Inc., 730 A.2d 1004, 1013 (Pa. Super. Ct. 1999) (citations omitted). To the extent the '947 patent is ultimately held to be invalid due to prior art, Rotonics asserts a common law fraud claim alleging that Smith knew of this prior art in 1992, but failed to disclose its existence to Rotonics in connection with the sale of Plastech.[4]

PennPac and Smith argue for judgment in their favor on Rotonics' common law fraud claim stating that Rotonics has not supported its conclusory allegations with explicit factual evidence. Specifically, defendants submit that Smith stated in his deposition that when he supported the '143 Application and participated in the sale of Plastech to Rotonics, he did not have knowledge of any prior art that would have rendered the '143 Application unpatentable. As such, defendants argue, any representations allegedly made by Smith during the sale of Plastech

[4]Pennsylvania's two-year statute of limitations applies to claims of fraud. *See* 42 Pa.C.S.A. § 5524. Neither party has raised the issue. Therefore, I will not address the statute of limitations issue as there may be some ready explanation for not raising it of which I am not aware.

were not made falsely, with knowledge of their falsity. Rotonics, however, points to evidence in the form of a declaration of Peter Connors in which he states that Smith did have knowledge of prior art at that time. It is clear, then, that there exists a genuine issue of material fact to be resolved by the jury. Accordingly, defendants' motion will be denied as to Count IV.

For the foregoing reasons, judgment will be entered in favor of PennPac on Counts V and VI of Rotonics' counterclaims. Judgment likewise will be entered in favor of Smith on Counts III, V, and VI of Rotonics' third party complaint. Moreover, defendants' motion will be denied as to Counts I, II, and IV. Finally, judgment will be entered for Rotonics on defendants' affirmative defense of patent invalidity.

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defendant/counterclaim plaintiff,	:	
third-party plaintiff,	:	
	:	
v.	:	
	:	
RUSH SMITH,	:	
third-party defendant/	:	
third-party plaintiff,	:	

ORDER

YOHN, J.

AND NOW, this day of May, 2001, upon consideration of plaintiff PennPac International, Inc. and third-party defendant, Rush Smith's motion for summary judgment on all counts in the counterclaim/third-party complaint and memorandum in support thereof (Doc. No. 48) and defendant Rotonics Manufacturing, Inc.'s response thereto (Doc. No. 53), IT IS HEREBY ORDERED that the motion for summary judgment is GRANTED IN PART and DENIED IN PART as follows:

1. Judgment is entered in favor of PennPac International, Inc. and Rush Smith on Counts V and VI;

2. Judgment is entered in favor of Rush Smith on Count III;

3. The motion is denied as to Counts I, II, and IV; and

4. Judgment is entered for Rotonics Manufacturing, Inc. as to the affirmative defense of patent invalidity.

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William H. Yohn, Jr.